

above, the Monitor Report calculated an additional \$5.6 billion lost in indirect expenditures. Indirect expenditures include real estate, restaurants, clothing and hotel revenues, which are not realized. In addition to these private industry losses, the government lost \$1.9 billion in taxes to runaway production. As opposed to the \$10.3 billion lost in 1998, the study estimated those figures will be between \$13 and \$15 billion in 2001.

B. The U.S. Production Drought

The Monitor Report stated that between 1990 and 1998, U.S. film production growth fell sharply behind the growth occurring in the top U.S. runaway production locations of Canada, Australia and the U.K. It stated that Australia "is growing 26.4 percent annually in production of United States-U.S.-developed feature films, or more than three times the U.S. growth rate." Similarly, "Canada is growing at 18.2 percent annually in production of U.S.-developed television projects, more than double the U.S. rate." During the same period, annual growth rates in the United States were 8.2 percent for feature films, and 2.6 percent for television."

C. Job Loss

Runaway production also impacts the U.S. labor market. It is estimated there are 270,000 jobs directly tied to film production. It is further estimated that 20,000 jobs were lost in 1998 alone due to runaway production. However, these statistics do not fully reflect the impact of economic runaway production on employment. They fail to account for spin-off employment that accompanies film production. It is estimated by the Commerce Department that the ripple effect of secondary and tertiary jobs associated with the industry might easily double or triple the number of jobs dependent upon the industry.

Regardless of the understated nature of the economic impact, the Commerce Department acknowledges that at least \$18 billion in direct and indirect export revenues and \$20 billion in economic activity are generated by the industry annually.

D. Loss of Pension and Health Benefits

Performers and others who work on foreign productions may lose valuable pension and health benefits. As provided in the SAG collective bargaining agreements, performers are entitled to receive pension and health contributions made to the plans on behalf of performers when they work on productions. Although SAG does allow for some pension and health reciprocity with the Canadian performers union, performers must negotiate this term into their contracts. More often than not, performers are unable to negotiate this benefit for work performed in Canada.

E. Cultural Identity

In 1961, Congress was warned that the trend of runaway production threatened to destroy a valuable "national asset" in the field of worldwide mass communications. As H. O'Neil Shanks, John Lehnars and Robert Gilbert of the Hollywood AFL Film Council testified in 1961, if Hollywood became "obsolete as a production center" and the United States voluntarily surrendered its position of leadership in the field of theatrical motion pictures, the chance to present a more favorable American image on the movie screen would be forever lost. Although the Cold War is no longer a reason to protect cultural identity, today U.S.-produced pictures are still a conduit through which our values, such as democracy and freedom, are promoted.

V. SOLUTIONS

A. The Film California First Program

California remains a leading force in the industry, and last year took a legislative

step to remedy the problem of runaway production. The state passed a three-year, \$45 million program aimed at reimbursing film costs incurred on public property. The Film California First ("FCF") program is specifically geared toward increasing the state's competitive edge in attracting and retaining film projects. To accomplish this goal, the legislation provides various subsidies to production companies for filming in California, including offering property leases at below-market rates. This legislation should serve as a model for other states, as they too struggle with an issue of increasing economic importance.

B. Wage-Based Tax Credit

A possible solution could be patterned after a legislative proposal offered, but never advanced, in the 106th Congress. Specifically, this proposal called for a wage-based tax credit for targeted productions and provided: (1) a general business tax credit that would be a dollar-for-dollar offset against any federal income tax liability; (2) a credit cap at twenty-five percent of the first \$25,000 in wages and salaries paid to any employee whose work is in connection with a film or television program substantially Produced in the United States and (3) availability of credit only to targeted film and television productions with costs of more than \$500,000 and less than \$10 million.

C. Future Solutions

To rectify the problems of runaway productions, legislation at the local, state and federal levels is paramount. Over the past thirty years, the film industry has expanded beyond California to become a major engine of economic growth in states such as New York, Texas, Florida, Illinois and North Carolina. To achieve effective legislative remedies, it is critical to examine the successful programs implemented by other nations.

Maybe it is the inexorable result of a changing world. Regardless, the proliferation of foreign subsidies for U.S. film production, which is occurring at an increasing rate worldwide, raises troubling questions of fairness and equity. From a competitive standpoint, it appears as though the deck is stacked against a class of workers who seek to derive their livelihood from this industry but find their jobs have moved overseas. It is understandable that producers will take the opportunity to film abroad when the reduction in costs is as much as twenty-five percent. Consequently, the only remedy for America's workforce is to pass legislation that provides commensurate benefits in the United States.

It is apparent that a laissez-faire, market-oriented approach has failed the American worker. Unemployment is extraordinarily high within the creative community, leading to seventy percent of SAG's 100,000 plus members earning less than \$7,500 annually. This economic hardship is exacerbated by runaway production. Thus, it is abundantly clear that legislative remedies attempting to more adequately level the playing field must be pursued. Amid encouraging signs that a tax bill of significant consequence is likely to pass Congress in the coming months, it is imperative that the creative community take a proactive position to ensure that the tax bill provides incentives for domestic film production. It must use all resources to cure the concerns presented in the two reports outlined in this Article. Organizations, such as SAG, must work with Congress to develop a proposal that is acceptable in terms of cost and other political considerations.

While it seems unlikely that there is the political will or desire to match the incentives offered by many of our competitors, it is conceivable to the authors that an effective

approach can be designed to substantially close the gap on cost savings without eliminating them. Thus, the approach advocated involves identifying the level where cost savings of filming abroad are minimized so as not to be the determinative location factor. An appropriate level may be in the range of ten percent cost savings versus the twenty-six percent cost savings now common in some Canadian locations.

It is important to note the strategy used to fashion a remedy is just as important as the relief sought. The industry should be willing to approach the tax-writing committee staff with the afore-mentioned concept and work closely with them in designing a legislative remedy. This strategy represents a holistic approach to a global problem. It is important to remember the United States risks losing its economic advantage in a vital industry which carries with it enormous economic consequences. As noted in the Department of Commerce Report:

"If the most rapid growth in the most dynamic area of film production is occurring outside the United States, then employment, infrastructure, and technical skills will also grow more rapidly outside the United States, and the country could lose its competitive edge in important segments of the film industry."

VI. CONCLUSION

Politics represents the art of the possible. The approach advocated in this Article should find a receptive ear in the halls of Congress if for nothing else than its simplicity. Timing is crucial. Left unchecked, the only certainty is continuing runaway production with the attendant of economic costs, lost jobs, and diminished tax revenues at all levels of government. In a time of waning economic growth and warning signs of dwindling surpluses and future economic weakness, including production incentives into any upcoming tax relief is essential to preserving the U.S. workforce in the American entertainment industry.

PERSONAL EXPLANATION

HON. JAMES H. MALONEY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 28, 2001

Mr. MALONEY of Connecticut. Mr. Speaker, on Tuesday, June 26, 2001, I was unavoidably detained and missed rollcall No. 190. Had I been present, I would have voted No on rollcall vote No. 190.

TRIBUTE TO THE CITY OF MURRIETA, 10TH ANNIVERSARY

HON. KEN CALVERT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 28, 2001

Mr. CALVERT. Mr. Speaker, it is with great pleasure today to pay tribute to a wonderful, young city in my district as they prepare to celebrate their 10th Anniversary—Murrieta, California, a "Gem of the Valley." Murrieta is an expansive valley covered with grasses and dotted with oak trees.

Incorporated as a city in July of 1991 after an overwhelming supportive vote, Murrieta has seen tremendous growth since its small beginnings as a sheep ranch. It was a young Don Juan Murrieta who first recognized the natural

beauty and vitality of this California valley and bought 52,000 acres in 1873. As the years passed by, the city saw slow growth and finally a boom when the railroad came through. By 1890, almost 800 people lived in the valley. Unfortunately, by 1935 the city had gone bust like so many western towns whose livelihood depended upon the railroad.

It would not be until 1987, more than fifty years later, that Murrieta Valley would once again come into its own. That year saw explosive growth for this sleepy little town. Totalling only 542 residents in 1970 and little more than 2,250 a decade later it found its population increase by a multiple of eight by 1991, to 20,000 residents, when Murrieta became an incorporated city. This year, as they celebrate their 10th Anniversary it finds itself the home of some 50,000 residents.

As a city and community, Murrieta has thrived with the greater control of its destiny over the last 10 years. That includes providing services from within the community instead of outside, such as police, fire and library systems of its own rather than contracting for these services.

In 10 short years, the City of Murrieta has seen its population and communities grow because of dedication to affordable housing, protecting the natural beauty of the valley, good schools, low crime and clean air. The city adopted its first General Plan after more than 50 public meetings to draft a vision of what the new city would become over the next several decades. The police department was created in 1992, the fire department in 1993 and the library system in 1998. Public services like these are what bind a city together along with the building of parks and recreational facilities and more. In fact, for their incredible progress as a city Murrieta has won numerous awards for innovation and performance.

Mr. Speaker, looking back, the city of Murrieta and its residents can hold their heads high with pride at what their once small town has become in only 10 short years. I wish to extend to them my congratulations as families, community leaders and business leaders gather on this Saturday, June 30th, to celebrate their 10th Anniversary. Congratulations to the "Gem of the Valley!"

PERSECUTION OF THE MONTAGNARD PEOPLES IN VIETNAM

HON. CASS BALLENGER

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 28, 2001

Mr. BALLENGER. Mr. Speaker, today I am introducing a resolution concerning the persecution of the Montagnard peoples in Vietnam.

The Montagnards are indigenous peoples of the Central Highlands of Vietnam who have long suffered discrimination and mistreatment at the hands of successive Vietnamese governments. In the 1960's and 1970's the Montagnard freedom fighters were the first line in the defense of South Vietnam against invasion from the North, fighting courageously beside members of the Special Forces of the United States Army, suffering disproportionately heavy casualties, and saving the lives of many of their American and Vietnamese comrades in arms. Today the Montagnards are singled out by the Vietnamese government

due to their past association with the United States, their strong commitment to their traditional way of life and to their Christian religion.

Due to this persecution, many Montagnards have attempted to flee Vietnam to other countries, including Cambodia. The Royal Government of Cambodia has announced that Montagnards found in Cambodia who express a fear of return to Vietnam will be placed under the protection of the United Nations High Commissioner for Refugees rather than forcibly repatriated to Vietnam. Unfortunately, it appears there is a policy of systematic repatriation of Montagnard asylum seekers to Vietnam by some officials of the central government. There also are credible reports that Vietnamese security forces are operating openly in the Monduliri and Ratanakiri provinces of Cambodia to repatriate Montagnards.

My resolution urges the government of Vietnam to allow freedom of religious belief and practice to all Montagnards, return all traditional Montagnard lands that have been confiscated, allow international humanitarian organizations to deliver humanitarian assistance directly to Montagnards in their villages, and to withdraw its security forces from Cambodia and stop hunting down refugees. It also commends the Royal Government of Cambodia for its official policy of guaranteeing temporary asylum for Montagnards fleeing Vietnam and urges the Cambodian government to take all necessary measures to ensure that all officials and employees of the local, provincial, and central governments fully obey the policy of providing temporary asylum. Finally, this resolution has the Department of State make clear to the Government of Vietnam that continued mistreatment of the Montagnard peoples represent a grave threat to the process of normalization of relations between the governments of the United States and Vietnam.

I urge my colleagues to join me in supporting the Montagnard peoples of Vietnam by cosponsoring this resolution.

INTRODUCTION OF THE SMALL BUSINESS WELFARE BENEFITS PROTECTION ACT

HON. JERRY WELLER

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 28, 2001

Mr. WELLER. Mr. Speaker, today, Representative NEAL (D-MA) and I introduced the Small Business Welfare Benefits Protection Act which deals with Welfare Benefit Plans governed by Section 419A of the Tax Code. The Code currently allows a deduction for contributions to multiple employer welfare benefit plans.

The purpose of this legislation is to provide some clarity to this section of the code in a fashion that protects pension tax law while allowing small businesses to provide important benefits, such as life and health insurance, long term care insurance and severance benefits to their employees. While any employer can utilize Section 419A plans, they allow small business to compete with large employers in attracting and retaining talented staff by enabling them to offer meaningful benefits like the ones I just mentioned.

Section 419A plans are independently trusted and administered ensuring employees that

the funds set aside for their benefit are there when they need them most, when a company is facing economic difficulties. This is the right policy and we should do everything in our power to encourage small businesses to protect their employees against the proverbial rainy day.

In terms of clarifying the Code, my legislation would ensure that all full time employees benefit. The allowable deduction would be limited to the cost of the benefit for the year in which the deduction is taken. Finally, the bill would prevent an employer who terminates participation in plan from pilfering the assets of the plan at the expense of the rank and file employees.

This legislation will ensure that 419A plans work the way they were intended to by Congress, namely for the employees, especially small business employees.

ACKNOWLEDGING ALL THOSE SUFFERING WITH THE DEADLY DISEASE OF HIV/AIDS IN THE CARIBBEAN

HON. CHARLES B. RANGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 28, 2001

Mr. RANGEL. Mr. Speaker, while we take into account the millions who die each year in Africa from this deadly disease we know as HIV/AIDS, we must also focus our attention on the Caribbean, as the second largest population to become infected with this devastating disease, as reported in the front page of the Washington Post on June 19, 2001, for those who may have missed it, I submit it for the record.

Two-thirds of all those diagnosed with the AIDS virus in the Caribbean are dead within two years. What is even more outrageous is that AIDS is the leading cause of death in the Caribbean for those aged 15 to 45 and the numbers are growing.

About one in every 50 people in the Caribbean, or 2% of the population has AIDS or is infected with HIV, the virus which causes AIDS; more than 4% in the Bahamas, and 13% among urban adults in Haiti.

The UN estimates that there were 9,600 children infected in the Caribbean. Further, the Caribbean Epidemiology Centre (CAREC) as well estimates that the overall child mortality rate will increase 60% by 2010 if treatment is not improved.

Clearly, there is a need not only for the United States government's assistance but also for those major private foundations that provide AIDS money for Africa to also develop programs that will come to the aid of those in the Caribbean.

I proudly commend Congresswoman DONNA CHRISTENSEN and her efforts to raise awareness in the community, as this disease is kept silent. I also commend the government of the Bahamas as being the only country in the region that has offered universal antiretroviral treatment over the last several years.

While we simply take medical services and treatment for granted in this country, as the number of AIDS cases decreases per year in North America and increases in the Caribbean; it is our obligation to help provide assistance to these governments in order for them